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JAPAN · ECONOMIC · INSTITUTE

JEI REPORT

A Two-Part Report: A and B

NO. 46B
December 8, 1989

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LDP, Opposition Parties Gear Up For Lower House Elections

Pundits intrigued by the tumultuous nature of Japanese politics during much of 1989 may have found the recent weeks of relative calm sufficient to lull them to sleep. Their slumber may be short-lived, however, judging by the political maneuvering that has begun as the ruling Liberal Democratic Party and the opposition parties try to favorably position themselves for the upcoming lower house elections, probably in late February.

The LDP's special political reform committee issued an interim report November 29 proposing a fundamental revision of the present multiseat representational system and calling for greater transparency in the handling of political funds. Both measures apparently are aimed at helping to restore the public's faith in the ruling party in the wake of involvement by some of its

members in the Recruit Co., Ltd. graft and influence-peddling affair. In addition, the LDP's tax committee has proposed changes in the unpopular 3 percent consumption tax (see following article), making a down payment on a pledge by Prime Minister Toshiki Kaifu soon after he took office in August.

Prime Minister Kaifu also has been engaged in a series of town hall-type conferences throughout the country. Mr. Kaifu's "Dialogue With the People" is an apparent effort to interact with the populace to dispel the widespread perception that the electorate's wishes were ignored when the ruling party implemented the controverial consumption tax and ceded to U.S. demands that it open Japan's beef and orange markets.

The Japan Socialist Party, the largest opposition party, is bound and determined to follow up its precedent-setting victory in the July upper house contests by usurping LDP control of the more powerful lower house. In the election pledge adopted by the JSP's executive committee November 30, the Socialist Party declared that a new political reality has emerged in Japan as a result of the July elections. The JSP promised to open a "hopeful new page toward the 21st century" by forming a coalition government with the other opposition parties if they succeed in toppling the ruling party from power.

The conventional wisdom appears to be that the House of Representatives probably will be dissolved in late January, with the general election expected to be set February 18 or February 25. (The election must take place some time before July 1990, when the four-year term of lower house members expires.) This possible scenario emerged November 22 after LDP secretary general Ichiro Ozawa met with Prime Minister Kaifu to discuss his planned trip January 8-19 to six countries of Western and Eastern Europe. The prime minister, who is anxious to establish personal relations with the leaders of countries in this dramatically changing part of the world, is expected to visit Poland, Hungary, West Germany, France, Italy and Belgium. Mr. Kaifu no doubt will use this trip to elaborate on Tokyo's recent pledge to provide greater economic assistance to selected Eastern European countries, among other topics (see JEI Report No. 42B, November 3, 1989).

The Diet's current extraordinary session, during which the ruling party had hoped to enact a package of political reforms and possible revisions to the consumption tax, will come to a close on or around December 15. The Diet then will convene December 25 for its 150-day regular session. An early order of business will be the FY 1990 budget. Presumably, the aforementioned legislation also will be on the calendar if no action is taken during the extraordinary session.

Traditionally, however, legislators recess over the Christmas/New Year's holidays and reconvene in late January. Given Mr. Kaifu's travel plans, the parliament probably would get back to business on or around January 22. In view of the fact that the opposition parties are allowed up to three days of interpellation, it would appear that the soonest the LDP-led government could dissolve the lower chamber would be January 25. A Sunday in late February then becomes a plausible election date since legislators typically are given nearly a month to campaign.

Although senior LDP members, such as former deputy prime minister Shin Kanemaru, have suggested that the electorate can expect to go to the polls in

Trade and Payments Data

(in millions of dollars unless otherwise indicated)

	1987	1988	January-September 1988	January-September 1989	July 1989	August 1989	September 1989
Japan's Balance of Payments							
Trade Balance	$96,386	$95,012	$67,234	$60,773*	$6,966*	$4,885*	$7,817*
Exports (f.o.b.)	224,605	259,765	188,893	201,555*	22,997*	21,404*	23,649*
Imports (f.o.b.)	128,219	164,753	121,659	140,782*	16,031*	16,519*	15,832*
Current Account Balance	87,015	79,631	56,040	44,981*	5,308*	3,416*	5,910*
Long-Term Capital (net)	-136,532	-130,930	-93,912	-57,316*	-6,752*	-3,503*	-10,648*
Overall Balance	-29,545	-28,982	-29,259	-3,999	-10,839	1,427	8,339
International Reserves (end of period)	81,479	97,662	91,151	86,117	88,865	88,318	86,117
Japan's Customs Clearance Trade							
Trade Balance	79,706	77,563	53,603	50,059	6,008	3,385	7,206
Exports (f.o.b.)	229,221	264,917	192,626	205,483	23,462	21,827	24,316
Cars	35,693	38,671	28,170	29,366	3,208	2,844	3,511
Steel	12,610	15,322	10,948	11,264	1,255	1,209	1,203
Imports (c.i.f.)	149,515	187,354	139,023	155,423	17,454	18,442	17,110
Crude Oil	20,663	18,852	14,825	15,402	1,550	1,867	1,711
Manufactured Products	65,961	91,838	67,405	77,982	8,945	9,332	8,647
Japan-U.S. Trade							
Trade Balance	52,090	47,597	33,326	33,781	3,864	3,020	4,790
Exports (f.o.b.)	83,580	89,634	64,528	69,857	8,097	7,340	8,681
Imports (c.i.f.)	31,491	42,037	31,202	36,075	4,233	4,320	3,892
Yen-Dollar Exchange Rate (average for period)	Y144.64	Y128.15	Y129.11	Y136.27	Y140.72	Y141.11	Y145.05
U.S. Trade							
Trade Balance	-152,119	-118,526	-87,049	-79,558*	-10,730	-10,904	-8,047*
Exports (f.a.s.)	254,122	322,426	237,335	271,352*	28,727	29,610	30,452*
Imports (Customs)	406,241	440,952	324,384	350,910*	39,456	40,514	38,499*
U.S.-Japan Trade							
Trade Balance	-56,326	-52,070	-36,492	-36,610*	-4,043	-3,982	-4,063*
Exports (f.a.s.)	28,249	37,732	27,916	33,036*	3,942	3,933	3,555*
Imports (Customs)	84,575	89,802	64,409	69,645*	7,985	7,915	7,619*

*Preliminary

Japanese Economic Indicators

(percent change from year-earlier period unless otherwise indicated)

	1987	1988	January-September 1988	January-September 1989	July 1989	August 1989	September 1989
Discount Rate (end of period)	2.5%	2.5%	2.5%	3.25%	3.25%	3.25%	3.25%
Outstanding Money Supply	10.4%	11.2%	11.4%	9.9%	9.8%	9.6%	9.6%
Industrial Production	3.4%	9.5%	10.1%	6.7%	5.6%	6.1%	3.9%
Manufacturing Operating Rate	0.1%	5.9%	6.4%	3.0%	1.3%	3.6%	0.3%
Number of Bankruptcies	-27.6%	-20.0%	-21.3%	-25.8%	-23.8%	-29.4%	-21.5%
Residential Construction Starts	22.7%	0.6%	4.5%	-2.5%	-1.7%	-6.0%	0.0%
Job Openings to Applications (ratio)	0.70	1.02	0.98	1.24	1.35	1.32	1.30
Nominal Wages	1.9%	3.8%	3.5%	4.3%	3.7%	4.0%	4.0%
Manufacturing Labor Productivity	5.8%	11.5%	12.4%*	8.5%*	6.1%	n.a.	n.a.
Wholesale Prices	-3.7%	-1.0%	-0.9%	2.2%	3.1%	3.0%	3.3%
Consumer Prices	0.1%	0.7%	0.5%	2.2%	3.0%	2.6%	2.6%
Yen-Based Export Prices	-5.1%	-2.2%	-2.9%	3.9%	3.9%	2.7%	3.8%
Yen-Based Import Prices	-8.3%	-4.6%	-3.8%	5.8%	6.9%	7.1%	8.3%

*Through July of each year only.

For Japan's latest GNP figures, see JEI Report No. 37B, September 29, 1989.